MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

DMG5034 – MANAGEMENT ACCOUNTING

(All sections / Groups)

6 JULY 2023
9.00 a.m. to 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 4 pages with 4 Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Winson Sdn. Bhd. uses a job order costing system for its products. Manufacturing overhead is applied to each job based on the number of labour hours incurred. The company estimated that it would work 75,000 direct labour hours and incur RM465,000 in manufacturing overhead cost.

During May 2023, the job cost sheets showed the following costs and production data:

	Job X77	Job X78	Job X79	Total
Direct materials used	RM160,000	RM213,000	RM79,000	RM452,000
Direct labour costs	RM144,000	RM192,000	RM60,000	RM396,000
Manufacturing overhead incurred	RM75,000	RM96,000	RM31,000	RM202,000
Direct labour hours	12,000	16,000	5,000	33,000

All three jobs were completed in May. Job X77 and Job X79 were sold on account for RM713,700.

Required

(a) Compute the predetermined overhead rate. (2 marks)

(b) Compute the manufacturing overhead applied during the month. Show your workings for the amount allocated to each job and in total. (5 marks)

(c) Determine whether the overhead was under- or overapplied; and by how much. (2 marks)

(d) Prepare the journal entries to record the following. Show all workings.
(i) Assignment of direct materials cost, direct labour cost and manufacturing overhead applied to production (WIP). (3 marks)
(ii) Jobs completed during the month. (2 marks)
(iii) Sale of jobs during the month. (3 marks)

(e) Compute the gross profit earned from selling the jobs. (2 marks)

(f) The company is considering implementing activity-based costing. Given the information below, calculate the activity-based overhead rates. (6 marks)

Activity Cost Pools	Estimated Overhead	Expected Use of Cost Drivers per Activity
Ordering	RM48,000	10,000 orders
Machining	162,000	45,000 machine hours
Packaging	255,000	51,000 boxes

(Total: 25 marks)

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QUESTION 2

Part A

You have just attended a course on cost behaviour analysis last week. Your friend, Xavier, who attended the same course is still confused and seek your help.

Required

(a) Briefly explain to Xavier the following:
(i) What is cost behaviour analysis? (2 marks)
(ii) How to define variable costs? (2 marks)
(iii) How to define fixed costs? (2 marks)

(b) Using the example of costs below, help Xavier to determine if each cost is variable or fixed. (3 marks)

No.	Cost
1.	Advertising expense
2.	Buttons and zips used in producing women pants
3.	Fabric used in producing women blouse
4.	Factory security guard salary
5.	Office building rent
6.	Sales commission

Part B

Zack Frozen Food has collected the following information after its first year of sales. The company sold 40,000 units of its products at the selling price of RM120 per unit and earned net income of RM600,000. Variable cost per unit was RM60 and fixed costs totaled RM1,800,000.

Required

(a) Compute the contribution margin per unit and ratio. (4 marks)

(b) Compute the break-even point in units and sales. (4 marks)

(c) The company aims to increase its net income by 20% next year. Calculate the target net income and determine the units of sales required to achieve the target. (4 marks)

(d) Compute the margin of safety and margin of safety ratio. (4 marks)

(Total: 25 marks)

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QUESTION 3

Siska Art Manufacturing is preparing budgets for one of its products, the clay pot vase. Relevant information pertaining to its direct materials, direct labour and manufacturing overhead budgets for year 2024 are as follows:

Required production units

The budgeted units of clay pot vase to be produced in each quarter is as below:

Year 2024			
Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**
6,000	6,200	6,600	7,000

Direct materials

Production of each unit of the clay pot vase requires 0.5 kilograms of clay. The company's policy is that the ending inventory for the clay should be 20 percent of the amount needed for production in the next quarter. Assume that the ending inventory of clay on 31 December 2023 is 600 kilograms. The cost for the clay is RM6 per kilogram.

Direct labour

Production of each unit of the clay pot vase requires 1.5 hours. The employee is paid RM11 per hour.

Manufacturing overhead

Variable overhead costs per direct labour hour: indirect materials RM0.60, indirect labour RM1.50, and maintenance RM0.30.

Fixed overhead costs per quarter: supervisor salaries RM23,000, depreciation RM8,000 and maintenance RM5,000.

Required

(a) Briefly explain what is a budget? (1 mark)

(b) Prepare the following budgets for the first six-month period, by showing the amount in quarters and in total. Show all workings.

(i) Direct materials budget (10 marks)
(ii) Direct labour budget (5 marks)
(iii) Manufacturing overhead budget (9 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Gelama Enterprise makes a product with the following standard costs for direct materials and direct labour:

Direct materials	2 meters at RM6.50 per meter	RM13.00
Direct labour	1.5 hours at RM12.00 per hour	RM18.00

During April, 10,000 units were produced. The actual costs associated with April's production of this product were as follows:

Materials purchased and used	21,000 meters at RM6.30 per meter	RM132,300
Direct labour	14,500 hours at RM12.50 per hour	RM181,250

Required

(a) Compute the total, price and quantity variances for materials. (8 marks)

(b) Compute the total, price and quantity variances for labour. (8 marks)

Part B

For many years, Infinity Sdn. Bhd. has been producing a small electrical part that it uses in the production of its blenders. The company's product cost per unit, based on a production level of 40,000 parts per year is as follows:

	Per unit	Total
Direct materials	RM3.00	
Direct labour	2.50	
Variable manufacturing overhead	1.00	
Fixed manufacturing overhead	2.00	RM80,000
Product cost per unit	RM8.50	

An outside supplier has offered to supply the electrical parts to Infinity Sdn. Bhd. for only RM7.00 per unit. 30 percent of the fixed manufacturing overhead costs can be eliminated if the parts are purchased.

Required

Prepare the incremental analysis to show whether the company should continue making the parts or buy from the outside supplier. Show all workings. (9 marks)

(Total: 25 marks)

End of Paper